HILL — A PRIMER OF FINANCE

A PRIMER OF FINANCE.

AN HONEST DOLLAR

THE BASIS OF PROSPERITY.

BY

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INTRODUCTION.

1. Present Importance of the Subject. — The diametrical opposition of the platforms adopted by the two great political parties of the United States at their recent conventions, upon the question of the national currency, places the monetary issue in the front line of battle for the presidential election of 1896. The American people are once more called before the judgment-seat of history, as they were in 1861. Those who understand the character of American citizens believe that nothing is necessary beyond a clear and truthful presentation of the facts and principles involved in this controversy, in order to secure a just and honorable settlement of the question. But it is evident that adequate comprehension of the momentous issues involved in the inflation of the national currency, and especially in a sudden change of the standard of value, is not to be acquired without serious and patient investigation on the part of every citizen. It is, therefore, of the highest importance that the essential elements of this great problem be so presented to the public mind that every man of intelligence and ordinary knowledge of arithmetic may form his own conclusions regarding the justice and expediency of the propositions put forward by the party platforms.

The present sketch is intended to supply a brief and intelligible statement of the whole question at issue between the parties, without partisan bias, and with absolute fidelity to the facts.

2. The Nature and Uses of Money. — The exchange of commodities is essential to the existence of civilized life. Division of labor gives to all the great advantage of profiting by the special skill and facilities of each. In a civilized state of society, almost all the products of every creator of value are offered for exchange. When they are exchanged directly against each other, as wheat for cloth, the exchange is called *barter*. When the exchange is effected by the medium of some common measure of value, as gold or silver, it is called a *sale*, and the amount of the medium agreed upon is called the *price*. Such a common measure of value is called *money*.

It is evident that a medium of exchange would not be accepted unless it had some definite relation to a standard of value. Price is, therefore, partly a question of *arithmetic*, which determines how many *times* a unit of value is to be taken in order to be an equivalent medium of exchange; but it is primarily a question of *value*, that is, it has relation to some object of *desire*. Whatever this object of desire may be, in order to be a good medium of exchange it must be (1) *Measurable*, so as to be capable of arithmetical treatment; (2) *Divisible*, so as to be separable into arithmetical parts and again united in multiples of those parts; (3) *Homogeneous*, so as to be always the same thing, without variation in quality from time to time; (4) *Portable*, so that it can be removed from place to place, and thus really serve as a medium of exchange; (5) *Durable*, so that it will not easily perish during possession; (6) *Stable in value*, so that it will have the same purchasing power when it is paid as when it is promised; and (7) *Recognizable*, so that it can always be known and its value readily ascertained by sight.

In practice we have two kinds of mediums of exchange, both of which are called "money," but which need to be clearly distinguished. **Real Money** is always a *commodity* of some kind. **Representative Money** is a *promise* to pay this, either expressed in definite terms on the paper or metal which serves as representative money, or implied by an authorization of law, or general agreement. Human nature the world over has settled upon the precious metals, gold and silver, as commodities fitted to constitute real money. If there is a doubt which of these two is to be preferred to the other, it must be settled by asking the question, Which is most *desired?* And if any attempt is made to determine how much *more* one is desired than the other, that can be ascertained only by discovering the *market price* of one in terms of the other, at the time in question.

The great bulk, probably ninety per cent, of all the business of the country is done *without* money. It is done on *credit*, that is, in the faith that promises to pay money will be fulfilled, *if required.* When the credit of a person or corporation is good, the payment of money is not required. Checks, drafts, bills of exchange, promissory notes, and other forms of credit, are the mediums by which the world does its largest business. The clearing-houses equate these, and *balances* only are paid in money.

3. Definition of Terms. — There are a few technical terms which, although in popular use, are often misunderstood, and therefore require to be exactly defined before monetary questions can be intelligently discussed.

(1) The distinction between "**Pure**" and "**Standard**" gold or silver is this: "Pure" gold or silver is free from all alloy, and consists of the one element alone; "Standard" gold or silver contains an amount of alloy consisting, under the present laws of the United States, of 100 parts to the thousand of copper in the case of silver, and of copper and silver in the case of gold, to give the coin greater hardness and durability in use. Coin of standard gold or silver is, therefore, 900 thousandths fine; that is, 1,000 ounces of standard coin contain 900 ounces of pure metal.

(2) "**Free Coinage**" means that any one bringing gold or silver bullion to the Mint may have it coined into standard coin, without charge. The owner of bullion, under a system of free coinage, would receive one dollar in coin for every 371.25 grains of pure silver brought to the Mint. If the coin is worth more than the bullion by weight, the owner of the bullion obtains all the profit. If a silver dollar contains 53 cents' worth of silver, the depositor of bullion gets a profit of 47 cents on every dollar thus coined. The government gets nothing, but is expected to keep the silver dollar at par with gold dollars of nearly twice its intrinsic value.

(3) When gold or silver bullion is bought by the government and coined into money, if there is a difference between the price of the bullion and the value of the coin, the government makes this profit, which is called "**Seignorage.**" Originally, it was the charge which the "*seigneur*," or lord of the realm, made for coining. Free coinage gives this profit to the owner of bullion.

(4) When two metals are used as standards of value, the arrangement is called a "**Double Standard.**" This of course involves fixing a "**Ratio**" between them, to indicate how much of one is equivalent to a given amount of the other. As the production of both gold and silver varies from year to year, the market value of both is subject to some variation. That of gold, as being by far the more constant and unchangeable, is regarded as the unit in establishing this "ratio" between the two metals. By recommendation of Alexander Hamilton, in 1792, the legal ratio was fixed at 15 to 1; that is, fifteen pounds of silver were to be regarded as equivalent to one pound of gold. This was

very near the true market ratio; but silver afterward fell in price from over-production, so that in 1834 the ratio was changed to 16 to 1. The market ratio has been subject to constant variation, and now stands at about 31 to 1.

(5) The terms "**Monometallism**" and "**Bimetallism**" are intended to represent, respectively, the doctrines held by believers in a single standard, and the adherents of a double standard. "Monometallist" might indicate an adherent of the single silver standard; but there is no class of men in this country that advocates such a standard, which is universally regarded as a mark of financial debasement. A "Monometallist" is, therefore, a believer in the gold standard, holding that it is impossible to fix a ratio by legislation which will not drive out one or the other of the two metals, and that silver should therefore be used only for subsidiary coin. The "Bimetallist" holds that it is possible to fix and maintain such a ratio. Most "Bimetallists," however, believe that the theory of a double standard is practicable only by international agreement to maintain a fixed ratio throughout the civilized world.

(6) The expression "**Legal-Tender**" is an important one to understand, because it gives rise to a very serious error. A "legal-tender" is a kind of money, real or representative, in which the payment of debts is prescribed or authorized by law. Thus, for example, the government notes known as "greenbacks," first issued during the Civil War, were mere promises to pay, without date. At that time the gold dollar was the accepted unit of value, containing 23.22 grains of pure gold, or 25.8 grains of standard gold. But as the "greenbacks" were made a *legal-tender* for all debts between citizens of the United States, they were considered as the legal money; and gold, which was difficult to obtain, was said to be *at a premium*.

(7) At the present time, the "**Unit of Value**" in our system of coinage is the gold dollar of 25.8 grains of standard gold. As we shall presently see, there is a great variety of representative money issued by the government of the United States, only part of which is "legal-tender." As long as the treasury is prepared to redeem in gold, directly or indirectly, all of these kinds of money, *they are equally good*, and the people will be satisfied to exchange them on terms of equality. But the moment public confidence is lost in the ability or intention of the government to keep all its money equal to the standard, that moment gold will be at a premium, and a part of the national currency will depreciate in the hands of the holders.

4. Present Forms of Money in the United States. — The following table exhibits the different kinds of money now current in the United States: —

I. Real Money: Gold Coin.

II. Representative Money:

1. Metallic	(1) Standard Silver Dollars, unlimited legal-tender.[1]
	(2) Subsidiary Coin, legal-tender up to $10.
	(3) Minor coin, legal-tender up to 25 cents.
2. Non-metallic	(1) Gold Certificates, not legal-tender.
	(2) Silver Certificates, not legal-tender.
	(3) Silver Treasury Notes, unlimited legal-tender.[1]
	(4) United States Notes, unlimited legal-tender.[1]
	(5) Currency Certificates, not legal-tender.
	(6) National Bank-Notes, not legal-tender.

The only "real" money now circulating in the United States is gold coin; for this alone is worth its face value *apart from the element of credit*. All the other

[1] Except by contract to the contrary.

money is "representative;" for it does not possess value equal to its face apart from the element of credit.

The standard silver dollar is now worth *as bullion* only about one-half its face; for 480 grains of silver bullion can be bought for 68 cents, and the standard silver dollar contains only 371.25 grains, or 53 cents' worth, of pure silver. We trust the national government for the remainder.

The subsidiary coin contains a proportionally smaller part of pure metal, and is, therefore, still more charged with the credit element.

United States notes are promises to pay in coin; while the certificates of deposit simply call for what they indicate, — gold, silver, or currency. Of these, the gold certificates alone specifically call for gold; but even they contain a credit element, — faith in the ability and intention of the government to pay them in gold.

The national bank-notes are the promises of national banks to pay in lawful money of the United States, which includes all the legal-tender money already described. They have the endorsement of the government, and are amply secured by deposits of United States bonds.

The Treasurer's Report for July 1, 1896, gives the following exhibit of money in circulation and in the Treasury at that time, as follows: —

IN CIRCULATION JULY 1, 1896.	
Gold Coin	$ 476,128,483
Standard Silver Dollars	52,175,998
Subsidiary Silver	59,999,805
Gold Certificates	42,320,759
Silver Certificates	331,259,509
Silver Treasury Notes	95,217,361
United States Notes	225,451,358
Currency Certificates	31,840,000
National Bank-Notes	215,331,927
TOTAL	$1,529,725,200

IN TREASURY JULY 1, 1896.	
Gold Coin	$111,803,340
Standard Silver Dollars	378,614,043
Subsidiary Silver	15,730,976
Silver Treasury Notes	34,465,919
United States Notes	121,229,658
National Bank-Notes	10,668,620
Gold Bullion	32,217,024
Silver Bullion	119,053,695
TOTAL	$823,783,275

It will be seen that about two-thirds of all the money now in use in the United States involves, to some extent, *the element of credit*. Hitherto, since the resumption of specie payments, Jan. 1, 1879, that credit has been above suspicion. It is now, for the first time, brought in question by a political party whose propositions have created general apprehension.

5. Opposing Platforms of 1896. — In order to show the peril with which the national credit is now menaced, the platforms of the Republican and Democratic parties for 1896, so far as they relate to this question, are presented below for comparison: —

REPUBLICAN PLATFORM.

Adopted at St. Louis.

The Republican Party is unreservedly for sound money. It caused the enactment of the law providing for the resumption of specie payments in 1879; since then every dollar has been as good as gold.

We are unalterably opposed to every measure calculated to debase our currency or impair the credit of our country. We are, therefore, opposed to the free coinage of Silver except by international agreement with the leading commercial nations of the world

DEMOCRATIC PLATFOI

Adopted at Chicago.

We are unalterably opposed to the Single Gold standard, which has locked fast the property of an industrial people in the paralysis of hard times. Gold mono-metallism is a British policy, and its adoption has brought our nation into financial servitude to London. It is not only un-American, but anti-American: and can be fastened on the United States only by the stifling of that indomitable spirit and love of liberty which proclaimed our political independence in 1776, and won it in the War of the Revolution.

which we pledge ourselves to promote; and until such agreement can be obtained the existing Gold standard must be preserved.

All our silver and paper currency must be maintained at parity with gold, and we favor all measures designed to maintain inviolably the obligations of the United States ; and all our money, whether coin or paper, at the present standard — the standard of the most enlightened nations of the earth.

We demand the free and unlimited coinage of both Gold and Silver, under the present legal ratio of 16 to 1, without waiting for the aid or consent of any other nation. We demand that the standard silver dollar shall be a full legal-tender, equally with gold, for all debts, public and private; and we favor such legislation as will prevent the demonetization of any kind of legal-tender money by private contract.

It will be seen that the issue joined between the parties is, whether or not the United States shall **change the present standard** and adopt **the free and unlimited coinage of silver at a ratio of 16 to 1.** Without partisan prejudice, we wish to determine in a strictly scientific manner, in the light of history and experience, whether or not this proposition to change our standard and open the mints of the United States to the free and unlimited coinage of silver at the proposed ratio is honorable and expedient.

The question is made the more interesting by the fact that the financial plank of the party advocating the free coinage of silver was repudiated by a large and intelligent minority in the Chicago convention, by the presentation of the following protest : —

"We declare our belief that the experiment on the part of the United States alone, of **free silver coinage and a change of the existing standard of value independently of the action of other great nations, would not only imperil our finances, but retard or entirely prevent the establishment of international bimetallism, to which the efforts of the government should be steadily directed.**

"It would place this country at once upon a silver basis, impair contracts, disturb business, diminish the purchasing power of wages of labor, and inflict irreparable evils upon our nation's commerce and industry.

"Until international co-operation among leading nations for the free coinage of silver can be secured, **we favor the rigid maintenance of the existing gold standard** as essential to the preservation of our nation in redemption of our public pledges and keeping inviolate our country's honor. **We insist that all our paper and silver currency shall be kept absolutely at parity with gold."**

6. Our Method of Treatment. — Such a question as the one under discussion cannot be rightly settled by the mere wishes or opinions of any number of men, but demands a calm and impartial survey of the facts of experience. We propose, therefore, to present a series of plain propositions in which our national experience may be summed up, and in which the inductions derived from it may be easily grasped. Each proposition will be supported by the historic proofs and economic facts of which it is the expression. The order of these propositions will be, as far as possible, conformed to the historical sequence of events, so that the present problem may be set in the clear light of past experience.

I. FIRST BIMETALLIC EXPERIMENT.

The first bimetallic experiment of the United States, adopted in 1792, fixed a legal ratio between silver and gold which drove gold out of the country, and reduced the currency to the single silver standard.

1. The Adoption of the Silver Dollar. — From 1782 to 1786 the American colonies seriously contemplated the necessity of domestic coinage. During the War of the Revolution, the unit of common account was the "Spanish milled dollar." It was expected that the "Continental currency" would be redeemed in this coin, but the day of redemption did not dawn. Pounds, shillings, and pence were fixed in the traditions of the people; but the English coins were driven out of circulation during the war, and did not return rapidly afterward. Numerous foreign coins were current, — French, Spanish, and Portuguese, — but the need of a native coinage was sorely felt.

In 1782 Robert Morris, Superintendent of Finance, made proposals for the establishment of an American mint, and these received the approval of the Congress of the Confederation. He believed that two metals, gold and silver, could not be used, because their ratio was not constant, and recommended silver as the standard. Jefferson proposed decimal denominations, and the dollar as the unit. He saw that the proportion between the values of gold and silver "*is a mercantile problem altogether*," and said, "*Just principles will lead us to disregard legal proportions*," proposing to adjust the ratio to the "*market price*."

Nothing was done, however, until the adoption of the Constitution. In his *Report on the Establishment of a Mint*, dated May 5, 1791, Alexander Hamilton proposed a double standard, 15 pounds of silver being considered equivalent to 1 pound of gold. Hamilton saw that gold was "less liable to variations of value than silver," and adopted it as the unit by which the ratio was to be determined. "As long as gold," he said, "either from its intrinsic superiority as a metal, from its rarity, or from the prejudices of mankind, retains so considerable a pre-eminence in value over silver as it has hitherto had, a natural consequence of this seems to be that its condition will be *more stationary*. The revolutions, therefore, which may take place in the comparative value of gold and silver, *will be changes in the state of the latter* rather than in that of the former." He was, nevertheless, disposed to utilize both metals as far as possible, as at that time silver was, from its prevalent use and value, not unsuited to the peculiar needs of the country, whose volume of exchanges was not great, and whose immature development required the retention of all its metallic wealth.

2. Hamilton's Bimetallic System. — The Act of April 2, 1792, the first coinage legislation under the Constitution, made the eagle, or ten-dollar gold piece, the basis of our gold coins, containing 270 grains of standard, or 247.5 grains of pure, gold. No gold dollars were coined until 1849, the dollar piece being of silver, and containing 416 grains of coin, or 371.25 grains of pure silver. The ratio of value between silver and gold was fixed, as Hamilton had recommended, at 15 to 1. Subsidiary silver coins were established, of corresponding weight and fineness. The coinage was to be free of expense to the depositors of bullion, thus establishing the privilege of "Free Coinage" for both gold and silver. All the gold and silver coins issuing from the Mint were made "lawful tender in all payments whatsoever," but "*those of less than full weight at values proportional to their respective weights*."

Three facts connected with this first coinage law of the United States are worthy of special note: (1) The legal ratio between gold and silver was *exactly adjusted to the market ratio*; (2) It was believed that *this ratio would continue for a long time* in the future; and (3) The *bullion value* of both metals was recognized as the *standard of measurement* upon which a just ratio should be based.

This is a fitting place to note the sophistry contained in the expression "**the money of the Constitution.**" The Constitution of the United States makes no provision for either a monometallic or a bimetallic standard of value, and prescribes no system of coinage. It provides that Congress, and not the legislatures of the separate States, shall have power "to coin money, regulate the Value thereof, and of foreign Coin." The Constitution nowhere defines the material of which money shall be made, and nowhere implies a preference with regard to it. The only use made of the words "gold" and "silver" in the Constitution is in *the prohibition to the States* to make anything else than coin a legal-tender in the payment of debts; that is, it prohibits them from making their own issues of paper money a legal-tender. But there is not one word in the Constitution to indicate either the substance or the system of coinage which Congress might subsequently adopt. A demand for "the money of the Constitution," with the implication that the Constitution has established or proposed a legal ratio between gold and silver, or prescribed their concurrent use as standards of value, is, therefore, merely a resort of the demagogue, who is either ignorant of the subject, or means to impose upon the ignorance of others.

3. **The Operation of Gresham's Law.** — The bimetallic system of Hamilton started well; but, after 1793, there was a steady decline in the value of silver as related to gold, broken only by a few spasmodic rallies, falling in 1813 to a ratio of 16.25 to 1. At no time between 1793 and 1834 was the market ratio so low as the legal ratio of 15 to 1; that is, during that whole period, silver was *overvalued* and gold was *undervalued* at the United States Mint.

Sir Thomas Gresham has laid down a principle, which has since been known as "**Gresham's Law,**" as follows: "When two kinds of money of unequal value are put into circulation together, the cheaper money always drives out the dearer." The truth of this statement may be very simply illustrated. If, in the same village, one storekeeper offers 25 cents per pound for butter, and another only 20 cents, the farmers of the neighborhood can gain 5 cents per pound by taking their butter to the first storekeeper. If this condition of things continues, all the butter will tend to go to the store where the higher price is paid. Now, the government Mint and the bullion market offered different prices for silver. The Mint offered one ounce of gold for every 15 ounces of silver, while the market offered 16 ounces of silver for one ounce of gold. One ounce of gold, therefore, would buy 16 ounces of silver in the market, 15 of which could be taken to the Mint and exchanged for another ounce of gold, leaving *one ounce of silver as a profit on the transaction.* The money broker may be trusted to conduct this business, whenever there is an appreciable difference between the Mint and the market ratios; that is, *as long as the Mint continues to be open.*

In 1806 the coinage of silver dollars was suspended by President Jefferson, and no more were coined until 1836. The whole number of silver dollars coined down to and including 1805 was 1,459,517. From that time to 1836, the largest silver coins issued from the Mint were half-dollars.

But Jefferson's suppression of the silver dollar did not, as intended, restrain the outflow of gold. According to Benton,[1] the circulation of gold "became *completely and totally extinguished* in the United States" in 1812. Professor Laughlin, in summing up the effects of this first bimetallic experiment, says: "While nominally possessing a double standard, the country really had only one, *and that a silver standard.* Owing to causes beyond the control of a legislature, and which could not have been foreseen, the value of silver was so affected in its relations to gold *as to destroy the working of a bimetallic system.*"[2]

[1] Benton, *Thirty Years' View*, vol. 1, chap. cv. [2] Laughlin, *History of Bimetallism*, p. 57.

II. ADOPTION OF THE GOLD STANDARD.

The second bimetallic experiment of the United States, adopted in 1834, fixed a legal ratio between silver and gold which drove silver out of use and reduced the currency to the single gold standard.

1. **The Adoption of a New Ratio.** — The Coinage Act of 1834 did not, like that of 1792, attempt to fix a legal ratio adjusted to that of the market. The ratio adopted was that of 16 to 1 (accurately 15.988 to 1), which undervalued silver, the market ratio being then about 15.7 to 1. It was urged that the new ratio would anticipate the expected continued fall in the price of silver, which experience seemed to justify; and also that Spain, Portugal, Mexico, South America, and the West Indies had rated silver to gold at 16 to 1.

2. **The Suppression of Silver.** — The effect of changing the ratio was more sweeping than it was expected to be. Gresham's law was brought into operation, not, as in the period 1792–1834, to drive out gold, but, by the legal undervaluation of silver, to suppress its circulation. For $1,570 in silver, one could buy gold bullion which the Mint valued at $1,600. One had only to sell his silver for gold, in order to pay his debts at a discount of $30 on every $1,600, or nearly two per cent. Silver, therefore, ceased to be used as money, and became merely merchandise. The subsidiary coins also, since they contained the full proportion of silver, passed out of circulation and became merchandise, resulting in a "small change" famine. Few persons born after 1840 ever saw a silver dollar, except as a curiosity, until the coinage of standard silver dollars was resumed in 1878.

3. **The Debasement of Gold Coins.** — In order to adjust gold and silver coins to the new ratio, leaving the silver dollar unchanged at 371.25 grains of pure silver, the gold eagle was reduced from 247.5 to 232 grains of pure gold. This made a difference of 6.26 per cent in the value of the gold coins, and facilitated their use in the place of silver, by lowering their value to that extent. The coinage of gold rose from $978,550 in 1833 to $3.954.270 in 1834.

The injustice done to creditors by this change is apparent. Their loss was 6.26 per cent of the amounts previously loaned. It may be instructive to remember that the year 1837 "was the most trying one to banks, and to business generally, that the country has ever known." All the Massachusetts banks suspended specie payments for one year, and many of them never resumed business. It was largely owing to a sudden change in the standard of values.

4. **The Changes of 1837.** — In 1837 the amount of alloy was made uniform for both gold and silver coins, — one-tenth alloy and nine-tenths pure metal, — making all standard coin, as at present, 900 thousandths fine. Previous to this time, gold coins were one-twelfth, and silver coins one-ninth, alloy. Leaving the amount of pure silver unchanged at 371.25, the weight of the silver dollar was thus made 412.5, instead of 416, grains.

5. **The Discoveries of Gold.** — The undervaluation of silver was rendered permanent for nearly forty years by the enormous discoveries of gold in Russia, Australia, and California. From an average annual production of about $38,000,000 in 1840–1850, the gold supply was increased by an annual production of more than $150,000,000 after 1850. The effect of the great gold discoveries was to give the United States a *single gold standard*, silver being out of circulation except as subsidiary coin, which last was kept in use only by reducing the amount of pure silver in such coin to a ratio of less than 15 to 1.

III. CAUSES OF THE DEMONETIZATION OF SILVER.

The disuse of silver dollars resulted solely from the commercial relations of gold and silver at the legal ratio of 16 to 1, and not from the so-called "Crime of 1873."

1. **The Act of 1853.** — A Coinage Act was passed in 1853, having for its purposes (1) The preservation of subsidiary silver as currency, and (2) The recognition of gold as the only standard of value. It was a practical abandonment of the double standard as a commercial impossibility at the 16 to 1 ratio. The Act met with but little opposition, and that was chiefly directed against the change of ratio for subsidiary silver.

Nothing was said of the silver dollar in the Act of 1853. That had entirely disappeared from circulation, and it was proposed to accept the fact. "Gold is the only standard of value by which all property is now measured," said Mr. Skelton of New Jersey; "it is virtually the only currency in the country."[1]

2. **The Suspension of Specie Payments.** — Such was the condition of the standard of value when, on account of the Civil War, specie payments were suspended by the United States, Dec. 31, 1861. Then followed the issues of legal-tender notes and of bonds, to provide means for carrying on the war. Gold disappeared from the circulation; but it was still the standard of value, and the notes and bonds of the government were based upon that standard. Specie payments were resumed upon a gold basis, Jan. 1, 1879, under a law of 1875.

3. **The "Crime of 1873."** — The Act of Feb. 12, 1873, is referred to by the advocates of the free coinage of silver as the "Crime of 1873," because it is alleged to have demonetized the silver dollar. The facts are: (1) That the silver dollar was not driven out of circulation by the Act of 1873, for it had not been in circulation for more than twenty-five years; (2) it did not then for the first time cease to be coined; for up to 1873 only $8,031,238 legal-tender standard silver dollars had ever been coined, the coinage of silver dollars having been suspended by Jefferson in 1806.

4. **The Crime of Omission.** — The reason for referring to the Act of 1873 as a "crime" is found exclusively in its omissions. Its capital offence was the omission of the silver dollar from among the coins thereafter to be coined by the United States. As this had not been in circulation, or coined for circulation, for many years, it is not easy to justify the accusation of "crime" by its omission.

But it is the circumstances of the omission that most arouse the indignation of the advocates of the standard silver dollar. That the step should ever have been taken with no opposition is the unpardonable wrong. The charge is, that the bill was "rushed" through the House, partly by secrecy, and partly by opposition to the wishes of the members.

5. **The Charge Refuted.** — Although this charge of haste, secrecy, and arbitrariness was fully refuted by Professor Laughlin[2] in 1885, and again by Mr. Horace White[3] in 1895, it continues to be repeated and spread abroad, as if it were true and a just cause for public indignation. It is, therefore, necessary to repeat the refutation here.

The bill was printed *thirteen times* by the Treasury Department and by Congress, and the proceedings occupy *one hundred and forty-four columns* of the *Congressional Globe*. It was considered during *five sessions* of the Senate and House,

[1] *Congressional Globe*, vol. xxvi., p. 629.
[2] *History of Bimetallism*, pp. 92–101.
[3] *Money and Banking*, pp. 213–223.

and was in progress for more than *two years.* It was referred to in the Treasurer's reports for 1870, 1871, and 1872, and passed through the hands of *thirty experts* for criticism and suggestion. It was sent to the House and Senate in various forms, and *laid on the desks of all the members.* It was debated by at least four members in the House, *who called attention to the fact that the gold dollar was the only standard recognized in the bill.*

There was no opposition in either Senate or House to the omission of the silver dollar from the list of coins. It was explained by Mr. Hooper, of Massachusetts, who had charge of the bill, that "the committee, after careful consideration, concluded that twenty-five and eight-tenths grains of standard gold, *constituting the gold dollar*, should be declared *the money unit*, or metallic representative of the dollar of account.[1] He also called attention to the discontinuance of the silver dollar of 412.5 grains.

The Law of 1873 never having been repealed, although the further coinage of silver dollars, as we shall see, was subsequently authorized, is still the law of the United States with regard to the standard of value. The coinage of silver in the three years 1873–1875, in spite of the "Crime of 1873," was $17,019,664, an excess over the three years before 1873 of nearly $10,000,000.

6. The Trade Dollar. — To avoid all possible confusion, it is important to note that the so-called "trade dollar," authorized in 1873, was not intended as a legal-tender coin. "The trade dollar was in reality an ingot, shaped like a dollar piece, but with different devices than those on the dollar of 412.5 grains; it weighed 420 grains standard weight (that is, 900 fine), and, consequently, contained 378 grains of pure silver. The cost of manufacturing the coin at the various mints was charged upon the owner of the bullion presented for coinage, so that the expense of melting, refining, and assaying the silver, and the expense of making the dollar, was borne entirely by the owners of bullion, and not by the United States."[2] It was not intended for circulation in the United States, but for trade with China and other silver nations, from which fact it derived its name.

7. The Myth of Ernest Seyd. — We should not leave this topic without recalling the fact that it was charged by the advocates of the silver dollar, that the "Crime of 1873" was instigated by one Ernest Seyd, of London, who, it was said, had brought from England £100,000 sterling, with which he bribed Congress to demonetize the silver dollar in the interest of foreign gold! The only foundation for this infamous slander was, that Mr. Seyd's name was mentioned when the bill was introduced into the House as a "distinguished writer" who had "furnished many valuable suggestions" incorporated in the bill. Mr. Seyd had not been in this country since 1856, and was a bimetallist, who, along with his "valuable suggestions," as Senator Hoar showed in the Senate on the 22d of August, 1893, from the letter containing them, strongly urged that *the provision of the bill omitting the silver dollar be not adopted!* If the newspapers that circulated this accusation, and the persons who invented it, have not reformed, it is likely to be revived and repeated, which is a sufficient reason for exposing it anew.

[1] *Congressional Globe*, part iii., Second Session, 42d Congress, pp. 2305, 2306.

[2] Laughlin, *History of Bimetallism*, p. 104.

IV. DEMONETIZATION OF SILVER IN EUROPE.

The demonetization of silver by the leading commercial nations of the world, between 1870 and 1880, was the effect of the depreciation of silver, which was occasioned by its inferiority to gold as money, and its overproduction.

1. **The Change from Silver to Gold in France.** — Between 1852 and 1864 France imported about $680,000,000 of gold, and exported $345,000,000 of silver. This was the first decided movement, outside of England, toward the gold standard; but it indicated an unmistakable tendency. In 1867 the International Monetary Conference at Paris recorded its preference for the single gold standard; and, from that time forward, this was the monetary ideal of every European nation. But France was not able to pass out of the double standard stage, on account of her enormous stock of silver. Before the transition to a single gold standard could be effected, the Franco-Prussian War broke out, which ended in the humiliation and defeat of France.

2. **The Action of Germany.** — The initiative for which France was preparing was reserved for Germany, her conqueror, to take. The opportunity came when $54,000,000 was paid to Germany in French gold coin, as a part of the war indemnity. For this advantage she had long been waiting, having been upon the silver basis since 1857, through a monetary treaty with Austria, and the expediency of the change having been discussed and accepted since 1868. The silver coinage of the German states was far from uniform. The coins were cumbrous and inconvenient, and the needs of the new Empire demanded a gold standard. The measures preparatory to the change were passed Dec. 4, 1871; but the gold standard was not definitely adopted until July 9, 1873.

The value of silver began to fall as early as November, 1872. By July, 1876, it had depreciated more than 22 per cent. This depreciation was, without doubt, partly owing to the increase in the production of gold, which displaced silver. Between 1850 and 1875 about $3,000,000,000 of gold had been added to the world's stock. Germany therefore made her transition from silver to gold with perfect ease. As we shall presently see, the other leading commercial nations soon followed her. The production of gold during the 25 years from 1850 to 1875 was as great as in the 357 years preceding 1850; that is, since the discovery of America. It changed the money standard of the world; because there was always a universal preference for gold, and all the commercial nations were only awaiting the appearance of a sufficient quantity to adopt it as the sole standard.

3. **The Latin Union.** — As we have already seen, France was making preparations for the adoption of the gold standard when the Franco-Prussian War broke out. "The public applauded the introduction of gold in the place of silver, for the same reasons that had earlier attracted the English people, namely, gold pieces are more easily handled, a certain amount can be carried more conveniently, and counting takes less time."[1] The Latin Union had been created in 1865 by France, Belgium, Switzerland, and Italy, afterward adding Greece. Dec. 23, 1865, a treaty between the four countries first named was signed, adopting a uniform token coinage of silver. In 1873 the Mints of the Union were crowded with silver bullion. On Jan. 30, 1874, a meeting of delegates was called, and limited the number of five-franc silver pieces that should

[1] M. Chevalier in *Journal des Economistes*, June, 1876, p. 444.

be coined during that year. This was *a suspension of free coinage*, and it has never been resumed. This act has been denounced by the advocates of free silver as a "great wrong" to that metal, and as a cause of the depreciation that had already begun, and has ever since continued. It was simply an act of self-preservation. Whatever its effect upon the subsequent value of silver may have been, "the suspension of the free coinage of five-franc silver pieces by the Latin Union was a *consequence* of the falling value of silver." [1] In 1877 the Latin Union entirely suspended the coinage of five-franc pieces for that year, except in Italy; and in a treaty of Nov. 5, 1878, in order to prevent gold from disappearing and being replaced by silver, *complete suspension was adopted.*

4. The Action of Other Countries. — Prior to 1847, Holland had a double standard, with a ratio of 15.6 to 1. In that year she adopted a silver standard. In 1873 and 1874 the coinage of silver was several times temporarily suspended; and in June, 1875, it was discontinued indefinitely. Austria-Hungary, although on a paper basis, closed her mints to the free coinage of silver in 1879, and is endeavoring to resume specie payments on a gold standard, which was adopted in 1892. Even British India, which, for special reasons, has been favorable to silver, owing to the small transactions that prevail in her internal trade, and the native love of silver ornaments, — used as depositories of their wealth by the natives, — abandoned the free coinage of silver in June, 1893. Spain suspended silver coinage, except on government account, in 1878.

There is, at present, not a mint in Europe open to the free coinage of silver.

The leading countries of the world may be classed as follows, as regards their monetary standards, meaning by "standard" the present accepted measure of value: —

Gold Standard.	Double Standard.	Silver Standard.
Austria-Hungary.	Argentine Republic.	Bolivia.
Belgium.	Bulgaria.	Central America.
Brazil.	Chile.[2]	China.
Canada.	Haiti.	Colombia.
Denmark.	Hawaii.	Ecuador.
Egypt.	Java.	India.
France.	Japan.	Mexico.
Germany.	Netherlands.[2]	Peru.
Great Britain.	Philippine Islands.	Russia.
Greece.	Servia.	
Italy.	Spain.	
Norway.	Uruguay.	
Portugal.	Venezuela.	
Sweden.		
Switzerland.		
Turkey.		
United States.		

An examination of the list will show that all the most highly civilized nations whose people have extensive commercial interests are upon the gold standard, while most of the others are semi-civilized or barbaric. The full significance of this fact is well stated by Professor Laughlin when he says, "In considering this movement in monetary progress, the substitution of gold for silver, and comparing it with similar events in industrial progress in almost every branch of activity, no illustration seems to me more exactly to describe the change caused by the introduction of gold than that of steam. In former days the world carried on its exchanges by the slow, uncertain, and clumsy methods of coaches, wagons, and sails; now all is done at less expense, more rapidly and conveniently, by railways

[1] Laughlin, *History of Bimetallism*, p. 156.

[2] About to adopt a gold standard.

and steamships. Both coaches and railways existed to transfer passengers and freight; so both gold and silver were used to interchange goods. Formerly coaches were our chief dependence; so was it with silver. In later years the railway has supplanted the coach, because it does the same service much better, leaving the coach to do minor work in other directions; in the same way gold is supplanting silver, because it serves the needs of commerce better, and silver is relegated to use as subsidiary coin for retail transactions. Consequently, when there is offered to a commercial country the choice between using gold and using silver, we should as soon expect it to prefer silver as we should expect merchants to-day to send their goods to New York or to Chicago by wagons instead of by railway.[1]

V. EXPERIMENTAL LEGISLATION.

The movement for the free and unlimited coinage of silver in the United States is the lineal descendant of greenback inflation, and the experimental legislation of 1878 and 1890 was a compromise in palliation of this extreme.

1. **The Greenback Delusion.** — At the close of the Civil War, the United States found itself burdened with an enormous debt ($2,844,649,626), and with a paper currency worth about seventy-five cents on the dollar. A speculative period followed, in which real estate and other property were greatly overvalued, and vast sums were borrowed for speculative purposes. The Western States were in particular the field for ambitious enterprises, undertaken in a spirit of adventurous excitement. The collapse of credit and prices in 1873, not occasioned by the demonetization of silver, — which, as we have seen, was more largely coined that ever before, — but by the overstrain of the credit system, involved the great distress of debtors, particularly in the West. When the crisis came, the debtors, having consumed what they had borrowed, and finding themselves without means of payment, began to feel that it was cruel in the creditor to require his own, and that he should be paid off in the cheapest money possible. They were, therefore, opposed to the resumption of specie payments, which was authorized by the Resumption Act of 1875. "Weighed down by debt, and led by skilful politicians, or impelled by selfish interest, the greenback faction demanded that the government should come to the aid of debtors, and, by plentiful issues of United States notes, create an inflation which should enable them to get off the shoals of debt on the tide of rising prices." How the greenbacks were ever to get into the hands of the people, unless the government distributed them by mail to the unfortunate debtors that demanded them, still remains a mystery. The government might print its notes by the billion, with no other result than to destroy its own credit, unless they were paid out of the treasury. They were to be used in paying off the United States bonds, which were drawn in coin. The greenback advocates were not, however, solicitous about this point of honor. If greenbacks were good enough for the people, they were good enough for the bondholders. But, as the debtors that wanted money were not bondholders, this redemption of bonds in greenbacks would not put money directly into their hands. It would, however, accomplish two things: (1) It would *inflate the currency*, and (2) It would effect *a partial repudiation* of the war debt. Upon the tide of cheaper money they dreamily hoped to float into prosperity!

2. **The Rise of the Free Coinage Movement.** — The greenback delusion was effectually dissipated in its original form by President Grant's veto of the

[1] *History of Bimetallism*, p. 168.

bill, and by defeat in the elections of 1876. "The demand for the coinage of silver dollars began where the cry for unlimited paper money left off." The debtors and the demagogues continued their mission, but with a new and unexpected alliance. They had objected to the purchase and coinage of silver in the Greenback Platform of 1876; but when it was perceived that a silver dollar was worth only *ninety cents* as bullion, the inflationists saw their opportunity. The greenback idea was gradually abandoned, and its former advocates have since been rallied under the banner of the free and unlimited coinage of silver.

The friends of inflation and repudiation saw in silver a new means of accomplishing their end. Now, for the first time, it was discovered that a "crime" had been committed in 1873, when the standard silver dollar was dropped from the list of coins. Being at that time (1876) a ninety-cent dollar, it represented to them at least *ten per cent* of inflation and repudiation. They could now make both appear vastly more respectable. Government notes should be issued, based on a deposit of *coin;* the United States bonds should be paid in *coin:* but it should be *silver*, and not *gold*.

3. The Bland-Allison Bill. — On the 25th of July, 1876, a bill was introduced in the House by Mr. Richard P. Bland of Missouri. Dec. 13, 1876, a substitute was adopted, authorizing the free coinage of standard silver dollars of 412.5 grains, as provided in the Act of 1837.

The Senate, however, gave the bill no attention; and it was again introduced in the House, and passed without debate, Nov. 5, 1877. The bill reached the Senate Dec. 6, 1877. It was reported by Mr. Allison of Iowa for the Committee on Finance, with important amendments. The free coinage provision was removed; and the Secretary of the Treasury was authorized to purchase from time to time, at the market price, not less than two million nor more than four million dollars' worth of silver bullion per month, and cause the same to be coined monthly, as fast as purchased, into dollars of 412.5 grains each. Provision was made also for payment into the treasury of seignorage arising from this process, and a limit was fixed which the amount of money invested in silver should not exceed. Silver certificates were authorized, corresponding with the denominations of United States notes, receivable for all public dues, but not a legal-tender. Thus amended, and with a provision for an international monetary conference for agreement with other countries regarding a common ratio between gold and silver, the bill passed the Senate Feb. 15, 1878.

Although unsatisfactory to the silver party in the House, because it was stripped of its free coinage elements, it was accepted, and went to the President to sign; but was returned with his veto Feb. 28, 1878. In his message of the preceding December, President Hayes had said: "If the United States had the undoubted right to pay its bonds in silver coin, the little benefit from that process would be greatly overbalanced by the injurious effect of such payment, if made or proposed against the honest convictions of the public creditors." At the same time, in his annual report, Secretary Sherman, of the Treasury, had said, quoting from a previous letter: "As the government exacts in payment for bonds their full face in coin, it is not anticipated that any future legislation of Congress, or any action of any Department of the Government, will sanction or tolerate the redemption of the principal of these bonds, or the payments of the interest thereon, in coin of less value than the coin authorized by law at the time of their issue, — being gold coin."

It was feared by the President and the Secretary of the Treasury that the assurances which had been given when the bonds were sold would be set aside if the Bland Act became a law. Mr. Bland had said in the House : "I give notice here and now that this war will never cease, so long as I have a voice in this Congress, until the rights of the people are fully restored and the silver dollar shall take its place alongside the gold dollar. Meanwhile, let us take what we have, and supplement it immediately on appropriation bills ; and if we cannot do that, *I am in favor of issuing paper money enough to stuff down the bondholders until they are sick.*" [1]

It was fear of this sentiment of repudiation that led President Hayes to veto the bill. In the veto message he said : "The silver dollar authorized is worth eight or ten cents less than it purports to be worth, and is made a legal-tender for debts contracted when the law did not recognize such coin as lawful money. It is my firm conviction that if the country is to be benefited by a silver coinage, it can only be done by the issue of silver dollars *of full value, which will defraud no man.* A currency worth less than it purports to be worth will in the end *defraud not only creditors, but all who are engaged in legitimate business, and none more surely than those who are dependent on their daily labor for their daily bread.*"

The bill was passed over the veto by both branches of Congress on the day it was returned by the President, and thus became a law.

4. The Reasons for Compromise. — The fact that the Bland-Allison Act was passed by both branches of Congress over the President's veto shows that the bill was a political necessity. The only other alternative was an out-and-out free coinage bill. It must be remembered also that it was a great gain over the issue of greenbacks, and satisfied some at least of the requirements for "hard money." There was a general and irresistible clamor for "more money ;" and this was not without reason, for the *per capita* of currency in circulation was only $15.32 in 1878, as against $20.57 in 1865. It was not evident to all that silver might not rally and come back to its recently lost value. It was only a few years since it had been out of circulation, *simply on account of its high value.* The Monetary Commission of 1875 had made a report favorable to the coinage of silver, and there were hopes of an international agreement that would restore the use of silver as money in Europe. It may be easy to dismiss these considerations now, but it was not so easy then. It is not a just ground of reproach to have believed in 1878 that the free coinage of silver might prove a public benefit, as many able men honestly did believe who do not believe it now. But this does not exculpate the men who advocated the free coinage of silver *because it would be an instrument of inflation and repudiation.* It is fortunate that wisdom sufficiently prevailed to avoid such a result. The only practicable course was that of compromise, and that course was pursued.

5. The Sherman Act. — In 1890 a free coinage bill was passed by the Senate on the 17th of June. The House refused to concur ; but a Conference Committee reported a bill now known as the Sherman Act, which became law July 14. This measure provided that the Secretary of the Treasury should buy 4,500,000 ounces of silver each month, at the market price, and pay for it with "Treasury notes," to be redeemed by the Secretary of the Treasury in either gold or silver coin, at his discretion ; "it being the established policy of the United States to maintain the two metals *on a parity with each other* upon the

[1] *Congressional Globe*, vol. cxxxvii., p. 1250.

present legal ratio, or such ratio as may be provided by law." The Treasury notes were made "legal-tender in payment of all debts, public or private, except where otherwise expressly stipulated in the contract."

This law was a compromise substitute for the free coinage bill, passed by the Senate and rejected by the House. It increased the amount of silver coined into standard dollars, or deposited for the redemption of Treasury notes, which was a necessary concession to the advocates of free coinage. It secured in exchange for this concession the "parity" between gold and silver at the legal ratio; that is, it pledged the credit of the government to maintain the "policy" of keeping the silver dollar equal to the gold dollar. Under this Act, 168,000,000 ounces of silver were bought, 28,000,000 ounces were coined, producing $36,000,000 in silver dollars; and $156,000,000 of Treasury notes were issued. The law was repealed and became inoperative Nov. 1, 1893.

6. The Gold Reserve. — In 1882 Congress created a fund of $100,000,000, known as the "Gold Reserve." It was intended as a safety fund for the redemption of United States notes, and has been called "the barometer of public confidence." Its presence has sustained the assurance that the United States will continue its "policy" of keeping all its issues of money of equal value. When this reserve falls below the amount indicated, $100,000,000, the Secretary of the Treasury is required to suspend the issue of gold certificates. The gold reserve has been several times reduced, but has been restored by the sale of bonds for gold.

7. The Results of Silver Legislation. — The results of the Bland-Allison and Sherman bills may be specified as follows: —

(1) The government of the United States now has in its possession *the largest stock of full legal-tender silver* of any civilized nation in the world, — in the aggregate, $624,000,000, exceeded only by India and China.

(2) The government has bought the greater part of this silver *on a falling market*, the annual average ratio of silver to gold having fallen from 17.94 to 1 in the year 1878, when the Bland-Allison law was passed, to 1894, when it was 32.56 to 1. Or, to state it differently, the silver dollar, apart from the element of credit, — that is, as silver bullion, — was worth *ninety-three* cents in 1878, and was worth *forty-nine* cents in 1894. To put the matter in a still different form, a dollar that should have contained 416.66 grains of pure silver in 1876 would require 756.04 grains, to be of equal value in 1894. The reason for this depreciation is apparent, when it is remembered that the silver production of the United States and of the world has *more than doubled* since 1878; while that of Europe has *more than quadrupled*, with *not a single European mint open to the free coinage of silver*. By the depreciation of silver now owned by the United States, the government has lost between fifty and sixty millions of dollars.

(3) The fluctuations of the gold reserve, occasioned by the heavy exportations of gold, indicate a timidity on the part of foreign holders and buyers of American securities; for, as we have seen, the gold reserve is, to some extent, an indicator of public confidence in the ability and purpose of the government to maintain the gold standard. While it has not been destructive, it cannot be said that the silver legislation has been favorable to the foreign credit of the United States. We have been shipping gold abroad when we should have been sending to Europe its value in wheat and other products. The intimations are plain, that

a further move in the direction of the free coinage of silver would drain the country still further of its gold, instead of increasing other exports.

(4) It should be clearly noted that the silver legislation of the United States has had *no permanent effect in restoring the price of silver or arresting its decline.* It has steadily fallen, in spite of all efforts to sustain the market by purchase. The Sherman Act in 1890 produced a temporary rally, but this was purely speculative and of short duration. During 1891 the price fell back to its former level, and went on falling, until the law was repealed. It is evident that nothing but strictly "unlimited coinage," if confined to the United States, could appreciably raise the price of silver, except in the same spasmodic way. Even this would not restore the value of silver.

8. **The Policy of Parity.** — If, in the light of all these facts, we ask the question, What has maintained an honest dollar in the United States? that is, a dollar of uniform and international value, we must answer, *It is the policy of parity between all dollars* issued by the government. Any time within the last twenty years, the free coinage of silver would have sent gold to a premium, and enforced upon the people a debased dollar, inflicting a partial repudiation of debts and the destruction of credit. We can see, in the consequences of compromise legislation, which has hitherto been the only available means of resisting free coinage, what a complete concession would have involved. The government has put *its credit* between the people and financial ruin, and the people have trusted it. The issue before the people now is, *Shall the policy of parity be maintained?*

VI. INTERNATIONAL BIMETALLISM.

The only way to restore to silver its former value is by agreement between the leading commercial nations of the world to maintain a uniform international ratio by apportioned purchases of bullion.

1. **The Magnitude of the Problem.** — The world's production of silver for 1894 was $215,404,600. The world's silver coinage for that year was $106,945,740. *About one-half the product,* therefore, was coined; the other half was added to the market stock. Is any single country in the world capable of absorbing this surplus in its annual coinage?

It must be remembered that the value of silver fell constantly from 1878 to 1893, when India was absorbing one-third of the world's annual surplus product, and the United States nearly another third. But since the closing of the Indian mints to silver, for the protection of Indian commerce, this large annual surplus has been accumulating. It is evident that, under a free coinage law at 16 to 1, all this accumulation of silver, as well as the greater part of the annual surplus product, would be thrown into the United States mints, inflating our currency beyond any precedent in human history. Before the value of silver could be permanently restored, the American dollar would be upon a Mexican basis, which is only another way of saying that the restoration of silver by converting it into cheap money is a foolish dream.

The impossibility of the free coinage of silver at a ratio of 16 to 1 by any single country without a depreciation of currency is evident from the following table, which shows the total annual production of gold and silver in millions of dollars, the market ratio between them, and the value of a silver dollar from 1870 to 1894.

YEAR.	GOLD.	SILVER.	RATIO.	SILVER DOLLAR.	YEAR.	GOLD.	SILVER.	RATIO.	SILVER DOLLAR.
1870	106	51	15.57	1.0267	1882	102	111	18.19	.87
1871	107	61	15.57	1.0257	1883	95	115	18.64	.85
1872	99	65	15.63	1.0225	1884	101	105	18.57	.86
1873	96	81	15.92	1.0046	1885	108	118	19.41	.82
1874	90	71	16.17	.98	1886	106	120	20.78	.76
1875	97	80	16.59	.96	1887	105	124	21.13	.75
1876	103	87	17.88	.89	1888	110	140	21.99	.72
1877	114	81	17.22	.92	1889	123	162	22.09	.72
1878	119	95	17.94	.89	1890	118	172	19.76	.81
1879	109	96	18.40	.86	1891	130	177	20.92	.76
1880	106	96	18.88	.88	1892	146	197	23.72	.67
1881	103	102	18.16	.88	1893	155	208	26.49	.60
					1894	180	215	32.56	.49

2. A Possible Solution. — It is evident, however, that, if the annual surplus product were apportioned among the nations of the commercial world by an international agreement, the burden, which would crush the shoulders of a single giant, might be carried without great danger. It would, of course, expand the currency of the world, but it would do so uniformly and equably. Judging from the results of the International Monetary Conferences held in 1878, 1881, and 1892, no nation of Europe is desirous of abandoning the gold standard, or of inflating its currency by a larger use of silver. The result of the Brussels Conference is well summed up by Mr. Horace White, when he says, "The secret thought of the delegates was something like this: 'What would happen the day after international bimetallism, if people should continue to prefer one ounce of gold to sixteen ounces of silver?'"[1] It may be adventurous to conjecture "secret" thoughts; but it is certain that the Conference was not prepared, without more argument, to adopt a bimetallic recommendation.

3. Why Europe Takes Our Gold. — It is an undoubted fact that the partial disuse of gold by the United States, the Bland and Sherman laws having put nearly $600,000,000 of silver in its place, has made it easier to send our gold abroad than it would have been, had we not displaced it with these large issues of silver money. Instead of taking our agricultural products in exchange for our importations, Europe has drawn upon us for gold. We have, by this exportation of gold, contributed to the maintenance of the exclusive gold standard in Europe by furnishing supplies of that metal instead of retaining it ourselves. It is the opinion of a distinguished German bimetallist, Dr. Otto Arendt, that, if "the United States had declined every compromise and aimed solely at international bimetallism, the silver depreciation and the scarcity of gold would have been more severe in Europe, and a transition to bimetallism would long ago have been found."[2] He adds: "If it is now desired to perpetuate the gold standard in Europe, let the government at Washington adopt free coinage of silver at the ratio of 16 to 1. At present, after the closure of the Indian mints, this step could not possibly have any other result than to make the American standard a silver standard. The price of silver, of course, would rise, but not to 59 pence, and not permanently. The United States would have a standard not materially different from that of Mexico. All the disadvantages and all the advantages of a fluctuating and depreciated money standard would follow. Gold monometallism would be replaced by silver monometallism; the double standard would

[1] White, *Money and Banking*, p. 107.

[2] Dr. Otto Arendt, in the *North American Review* for June, 1896.

become nominal. No bimetallist can approve of this. Free coinage of silver in the United States would result in harm to Europe, no doubt, but also in advantage. Perhaps the harm would predominate; but one thing is certain: *The absorption of the American gold, the continual supplies coming from the American gold production, would for a long time to come relieve the European powers of all anxiety for their gold standard.* . . . Only by insisting in all countries in an unequivocal manner on the international solution of the currency question can international bimetallism be attained. 'No more experiments!' is, therefore, the only appeal which the European bimetallists address to those of America; no silver purchases, no silver coinage, otherwise than on the basis of international agreement; and no more abortive attempts to bring them about."

In connection with this profound and instructive insight into the subject, it is important to remember that, under a system of free coinage of silver, our gold would vanish more rapidly than ever before, being taken in return for our imports, instead of our wheat and other cereal products. To Europe, gold would remain the standard of value. Our exports would be paid for by foreign countries in depreciated silver. Our imports would be paid for in gold.

VII. DEBTORS AND CREDITORS.

The free coinage of silver would work injustice between debtors and creditors, but it is not certain which would suffer most.

1. The Delusion of Cheap Money. — It is evident that the free coinage of silver would increase the amount of credit money in the country without increasing credit, and that it would, therefore, be more difficult than now to maintain the parity of silver dollars with gold. It is thought by many that this is not necessary. If the government issues dollars in great quantities, prices will rise; and so, relatively to other things, money will be plenty, that is, it will be *cheap*. One dollar, if it is a legal-tender, will do as well as another to pay debts with; and when dollars are plenty, it will be easier to pay debts.

All this is true, and yet the statement contains a most vicious fallacy. If we double the amount of money in circulation, it would seem as if we could *buy twice as much*. We cannot do so, however; because everything, except labor, will *cost twice as much*. What is the advantage of having two dollars, each worth fifty cents, over having one dollar worth one hundred cents? It is certain that, by doubling the amount of money in circulation, *we shall not be able to obtain with our money as much as we do now*. When silver bullion is taken to the United States Mint, and fifty cents worth of it is paid for by the government with a silver dollar, who gets the money? The dealer in bullion or the mine-owner that sends it there. But how will that help *you* to get any more money? The silver speculator may make millions, but you are no better off than before. But he will, perhaps, *spend* his money, and it will go into the circulation. How is this money to get into *your possession?* That is the interesting question. It may be deposited in a bank, or carried to Europe in a letter of credit; but you will not be benefited by that.

At the present time the United States has a larger *per capita* circulation than Great Britain, which has $20.78 to each person, while we have $23.59. France and Belgium have a larger *per capita* circulation than either Great Britain or the United States, and yet they are not so wealthy, nor is wealth more evenly distributed. The people of those countries hide their gold and silver in their beds, and bury it in the fields; while the American people put their money in the banks and pay it out in checks, so that a small amount of money does a great deal of service in balancing exchanges. Moreover, we have never, since the settlement of the country, had so large an amount of money in circulation as in the last few years. In 1860, it was only $13.85 to each person; in 1865, when greenbacks were plenty, it was only $20.57. It cannot be said with truth that there is too little money. The chief difficulty has been to get possession of it; but doubling its quantity in the hands of speculators will not help us to do that.

2. The Motive to Inflation. — When we touch the bottom of the matter, it becomes evident that the great motive to silver inflation, apart from the owners of mines and of bullion, is that *it will make easier the payment of debt.* It cannot, of course, be pretended that this is a just or an honorable motive; for what the debtor is supposed to gain, the creditor is supposed to lose. It is justified by the ignorant and by the sophistical, by referring to the "Crime of 1873," and by the pretence that gold has appreciated so that it is more difficult to get than it was in former years; for which the only proof is that general prices are lower, which may as easily be caused by good crops and general productiveness as by a rise in the value of gold. If gold is rare in the United States, which possesses the largest stock of any nation in the world except Germany, it is because it has been largely exported, and driven out of circulation by the free silver movement; and yet it has not gone to a premium. If any one imagines that the natural supply of gold is decreasing, let him consult the last table, from which he will see how the annual product has increased.

Nor does it cover the point of honor to say that existing debts were contracted upon a silver basis, and are now required to be paid in gold. Most existing debts were contracted in "lawful money of the United States," which, at the time they were contracted, was gold, silver, and paper, *kept at parity* by the prudent policy of the government. Justice requires that these debts be paid in the same kind of money that was borrowed; but this argument cannot be expected to prevail with the Dick Turpin consciences of political demagogues, who pretend to rob the rich for the benefit of the poor, while, in truth, they are robbing both for the benefit of themselves.

3. Debtors and Creditors. — Nearly every man in a civilized state of society stands constantly in the double relation of debtor and creditor. He always owes some one, and some one always owes him. The only exception is the absolute pauper. A man who owes more than is owing to him will not be likely to pay his debts in any kind of money, however cheap. He is insolvent. A man to whom more is owing than he owes is not, on that account, a proper mark for fraud, unless prosperity is a crime to be punished by those not guilty of it. All men, therefore, are deeply interested in that relation between debtor and creditor called "credit." Primarily, it is faith in human sincerity and honesty. In savage and barbaric communities it does not exist. It is the highest fruit of civilized society, and, therefore, the most sacred. When the debtor makes war on the creditor, "credit" is destroyed, and is not easily restored. The extinction of credit shows itself first in a panic, every one seeking, as soon as possible, to recover his own before it is too late. This inevitably involves financial ruin to men of all classes; for it means paralysis of production, distribution, and consumption, an arrest of all economic functions *except the collection of debts.*

Can it be supposed for a moment that men will wait for what is due them *when money is steadily depreciating in value?* The sooner debts are recovered under such circumstances, the better for the creditor. Will he be likely to wait for the slow machinery of legislation to invalidate his debt, or will he collect it as soon as possible? Now, the proposition for the free and unlimited coinage of silver operates for the invalidation of debts by making them payable in a cheaper money. The Chicago platform contains a threat to *force* this inferior money upon every one, by making it illegal to draw contracts in any other money. Can that be *good* money, which must be *forced* upon people against their will? Is not this threat a threat to debase the currency? If not, why is it necessary to *compel* people to make contracts in it, and *forbid* their employing the present standard? A bad dollar that no one wants to take is a dishonest dollar when a debtor is forced to take it. It impairs every existing contract, and the freedom of contract. It is a blow at the right of property, and at simple equity between man and man, and has in it the seed of anarchy.

Let us now suppose that such inflation and consequent depreciation are forced upon the business world: how would it operate? Every creditor would be disposed, as quickly as possible, to collect his debt *before* money had lost its present value. Most mortgage debts are now collectable, being usually drawn for one to three years. Foreclosures would follow; numerous properties would be thrown upon the market; buyers would be few; the creditors would bid in the properties, and the debtors would lose their equities in them. All gold would be withdrawn at once from the circulation, which would involve a serious contraction of the volume of currency. For a time, money would be less plenty than it is now. *Credit would be extinguished*, and it must be remembered that *ninety per cent of the business of the country is done on credit.* It is no exaggeration to say that the debtor would be crushed under his burdens. What is propagated as the debtor's deliverance would, in all probability, prove to be the debtor's doom.

4. **Who are the Debtors?** — It is important just here to consider who are the greatest debtors in the United States. First come the United States Government, the States, and the municipalities. Considered with reference to their bonds, when not drawn in gold, the free coinage of silver is meant to be a measure of partial repudiation. But many State and municipal bonds are drawn in gold for long terms. Unless some legal quibble should defraud the debtor, gold would have to be bought at a premium for the interest and principal of such bonds, creating an additional burden of taxation.

Among the largest debtors are the railways. Their bonds are largely drawn in gold; and a premium upon it would not only wipe out all dividends, but, in most cases, render the companies insolvent, with the consequences of insolvency to their employees, stockholders, and bondholders. When it is remembered how many thousands of widows, orphans, and prudent people who have saved a little money hold municipal or railroad securities, the enormity of the proposition to defraud the creditor becomes apparent.

The next class of debtors on the list is the banks of deposit. Nearly all the money of the people is intrusted to them, with nothing to show for it but a credit on the bank's books. Suppose all these depositors want their money, in anticipation of its depreciation: what would happen? The banks would, of necessity, be closed, and all payments suspended. It may be said, Why should people want to withdraw their money under a free coinage law, when they can be paid in silver *now?* The answer is very simple. Because *a silver dollar is now as good as a gold dollar*, on account of the policy of parity which the government has established and thus far maintained; but *the free coinage of silver would destroy this parity*. No one wants "cheaper money" who can get back the good money he parted with. For that reason, every one who can will try to get it back, when it is in serious danger, and will refuse to wait until its full recovery is impossible.

5. **Who are the Creditors?** — But now let us see who the greatest creditors are. Prominent among them are the savings banks, with 4,354,045 depositors, and $1,575,594,678 of deposits, mostly loaned on bond and mortgage. Who are these depositors who constitute so large a class of creditors? They are chiefly laboring people, who, by economy and prudence, have saved little sums averaging from $50 to $500. These are the creditors who are to receive their hard earnings in "cheap money," — in dollars worth fifty cents!

Another large class of creditors is the life insurance companies. In the United States they have policies in force to the amount of $9,681,497,447, and affecting probably 25,000,000 persons. The funds of these companies are chiefly invested in mortgage bonds. Could these companies ever pay their risks, if they were defrauded of half their investments? Most of them would certainly become insolvent, and fail to pay the policy holders. Those that survived could pay only in proportion to what they received *as creditors*. And who are these policy holders? They are men of all classes, — ministers, teachers, professional men, merchants, farmers, clerks, whose savings have been sufficient to enable them to take out a policy of insurance on their lives, for the sake of their wives and children when their hands fall helpless and their busy brains are still. And these rapacious creditors, also, are to be paid in "cheap money"

VIII. PRICES AND WAGES.

The free coinage of silver would increase the cost of living, but would not increase proportionally the wages of labor.

1. **The Wage-earner as Creditor.** — It is important to remember that, among the creditors of the country, the largest class consists of the wage-earning part of the population. More than any other class, the wage-earners are shareholders in the great creditor institutions for saving and for mutual insurance; but, apart from this, they are directly and personally prospective creditors to the whole extent of their income. All who are paid for their services, whether by the day, week, month, or year, at fixed rates, belong to the class of expectant creditors. For them, and for all who would deal justly by them, the question is, How would they be affected by the free coinage of silver?

2. **The Difference between Commodities and Services.** — Whoever has a commodity for sale can put upon it an anticipatory price. He may not get it to-day, but, if he holds on, he may get it to-morrow. This is what leads to speculation in wheat, cotton, bullion, and other commodities. An anticipatory price is a speculative price.

It is impossible to speculate in personal services with any success. A man who withholds his labor in the hope of getting a higher price for it, usually loses his place, and is thrown out of work. By uniting with others, he may sometimes and for a while force an increase of wages; but, while this process of forcing is going on, he remains idle, and, consequently, without pay. He must sell his services to-day, or he loses to-day's income.

This important difference between commodities that can be kept for a profit, and labor that cannot be withheld except at a loss, is the principle that operates *to raise prices without raising wages, or to raise prices much more rapidly than wages.*

3. The Verdict of Experience. — This principle is not merely theoretical; it is proved and illustrated by universal experience. A few examples will serve to establish this.

The statistics of wages and prices for the period from the beginning of the Civil War and the issue of legal-tender notes are exceptionally full and accurate. Says Professor Taussig: —

"Money wages responded with unmistakable slowness to the inflating influences of the Civil War. In 1865, when prices stood at 217 as compared with 100 in 1860, wages had only touched 143. The course of events at this time shows the truth of the common statement, that, in times of inflation, *wages rise less quickly than prices*, and that the period of transition is *one of hardship to the wage-receiving class*." [1]

The same fact is shown by the data of Senator Aldrich's Report on Wages, submitted to the Senate. It is also clearly brought out in this report, that when wages were highest, their purchasing power was not proportionally increased. When a laborer received $1.00 per day in 1860, he was better off than when he received $1.48 in 1865. In 1860 the purchasing power of his wages was equivalent to $1.00; but in 1865 it was equivalent to only 78 cents. After the resumption of specie payments, wages continued to increase, and their purchasing power also, with slight variations, and were never before so high as in 1890–1891, when their purchasing power considerably exceeded that of any preceding year.

A comparison of wages paid for all kinds of labor shows that they are uniformly higher in gold standard countries than in countries on a silver basis, and higher in the United States than anywhere else in the world.[2]

Japan is a good example of a country upon a silver basis. Her money has constantly depreciated in value; but while the price of staples in Japan has risen 28 per cent, wages have increased only 14 per cent, *or only half as rapidly*. Gold will buy more there now than at any previous time, — showing that the rise in prices is wholly illusory, for it is *a rise in a depreciated money*.

Mexico is a sufficiently near neighbor of the United States to be particularly instructive. Wages have risen nominally in Mexico within the last few years, as silver has depreciated, but less rapidly than prices; and they are from one-third to one-half lower than they are in the United States. The exchange value of a Mexican silver dollar, containing more silver than the American dollar, is about 54 cents.

Wages would, possibly, rise in this country under a system of free coinage, but much more slowly than the prices of commodities. To sustain the present scale of living, it would be necessary that they should be doubled. No sane man can dream of this. The injustice of free coinage to the wage-earner is, therefore, evident. *It would double his cost of living without doubling his income.*

IX. AGRICULTURAL PROSPERITY.

The free coinage of silver would not conduce to the agricultural prosperity of the United States, which will profit most from general prosperity.

1. The Agrarian Argument. — The movement for the free coinage of silver has been promoted by a propaganda originating in the silver-producing States,

[1] Quoted by White, *Money and Banking*, pp. 163, 164. [2] *World Almanac* for 1896, pp. 158, 159.

and addressing itself chiefly to the agricultural classes. Aside from the incitement of sectional jealousy and hostility, the movement has proceeded mainly along this line of argument: (1) Parallel with the fall in the value of silver, there has been a decline in the price of agricultural products, especially wheat: (2) This decline is owing to the demonetization of silver by the "Crime of 1873," the appreciation of gold, and the efforts of Wall Street and foreign powers to keep the United States on a gold standard; (3) The only cure for this unjust state of things is to overcome the political supremacy of the East, through the free and unlimited coinage of silver at the old ratio of 16 to 1.

These teachings have been spread throughout the country, especially in the West and South, by a wide distribution of literature, and the personal work of agents sustained by the wealth of the silver-producing interests. Large numbers of honest men, unfamiliar with the facts of our monetary history, or with the great principles that underlie economic relations, have been deceived by the misrepresentation of facts, and the fallacies of reasoning contained in these teachings.

2. The Relation of Wheat and Silver. — The representations of the advocates of free coinage have created the impression, in many minds, that there is a natural relation of equivalence between 412.5 grains of standard silver and a bushel of wheat. This great staple, which was worth a dollar a bushel in 1872, is now worth only about fifty cents. Wheat, therefore, seems, at first sight, to to have followed the fortunes of the silver dollar; and if we could once more make that dollar the standard, it would seem as if we might thereby restore the price of wheat.

The absurdity of this idea, however striking at first thought, becomes apparent when we consider that there is *no causal relation between the two orders of fact.* Wheat and silver rise and fall in value, quite independently of each other, according to the fluctuations of demand and supply. The prices current show this clearly. In 1861 wheat was as low as 55 cents a bushel, yet a silver dollar was then worth more than a gold dollar. In 1882 wheat was worth \$1.40, and a silver dollar was worth only 85 cents in gold. In 1894 wheat was as low as 50 cents a bushel, and a silver dollar was equal to only 46 cents in gold. It is evident that there is no natural relation, not to speak of a divinely appointed harmony, between the silver dollar and a bushel of wheat!

The fact of a decline in the price of wheat is evident, but the inference as to its cause is wholly false. What, then, is the true explanation? Since 1872 the grain-growing area has increased with a rapidity unprecedented in the history of the world. Enormous new tracts have been devoted to the raising of wheat in both North and South America and in Asia. In the United States alone, the development has been remarkable. In 1875 the acreage of wheat growing in this country was 26,381,512 acres. In 1891 it was 39,916,897 acres, an increase of more than 50 per cent. The crop, in 1875, was 292,126,000 bushels, the largest in many years; but in 1891 it was more than 100 per cent greater, being 611,780,000 bushels. There has been, also, a large increase in the production of other cereals, some of which are competitive with wheat.

It is obvious that the true cause of the decline of agricultural prices is not the fall in the value of silver.

3. The Relation of Wheat and Gold. — The second assumption of the free coinage theory is, that the price of grain has fallen because of the maintenance of a gold standard. We have seen, in the discussion of Proposition VI., how absurd it is to believe that free coinage by the United States alone could have absorbed the surplus silver of the world without making its money valueless. We have also seen, in Proposition III., how baseless is the accusation made regarding the "Crime of 1873." The abuse of Wall Street and the intimation of foreign influence are equally without foundation. Wall Street, no doubt, has enough sins to answer for; but its influence upon legislation has not been to corrupt the standard of money, and it has not been equal in measure to that of the free coinage propaganda.

The source of the silver produced in the United States in 1893, the amount from each State or Territory, with the population of each, may be stated as follows: —

STATE OR TERRITORY.	VALUE OF SILVER.	POPULATION, 1890.
Arizona[1]	$ 2,935,700	59,620
California	470,100	1,208,130
Colorado	25,838,600	412,198
Idaho	3,919,600	84,385
Montana	16,945,000	132,159
Nevada	1,561,300	45,761
New Mexico[1]	459,400	153,593
Utah	7,196,300	207,905
All Others	674,000	
TOTAL	$60,000,000	2,303,751

Here are eight States and Territories which produce practically all the silver of the United States, with an annual increase of wealth of $60,000,000, and a population of less than two and a half millions, complaining that the East has had too large a share in national legislation, and stirring up sectional hostility on this account. With a proportional Congressional representation, these six States have *twelve* Senators in a body of only *ninety*, — as many as the six greatest States in the Union with a population *ten times as great!* In other words, the people of these older and larger States have *only ten per cent of the per capita representation in the United States Senate that these six silver States have*, and yet these States are clamorous against the East on account of political supremacy!

The average wealth of these six States in real and personal property exceeds that of any Eastern or Middle State, and is more than double that of the North Atlantic division. It is, *per capita*, $2,796, as against $1,232 for the North Atlantic States, and $1,036 for the United States.[2] The average increase of wealth *per capita* in the six silver States from 1880 to 1890 was $1,398, as against $23 *per capita* in the North Atlantic States.[3] In other words, while the average increase of wealth for each person in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania, from 1880 to 1890, was $23; in the six silver States, every person on an average increased his wealth $1,398, *or more than doubled it!* This is the way the greedy East has legislated against the poor and downtrodden West.

It is clear that the influence of gold has been far less than that of silver in creating public sentiment and affecting legislation, and yet it is said that *gold has appreciated to double its value because of the manipulation of Wall Street!* The only necessary and the final answer to this is, that in 1873 the world's gold production was $96,000,000; in 1895 it was $199.500,000, or *more than doubled.* But the conclusive fact, which disposes absolutely of the pretence that the maintenance of the gold standard has caused the fall in the price of wheat, is, that

[1] Territories. [2] *Abstract of Eleventh Census of the United States*, p. 198. [3] *Idem.*

in 1872 the money in circulation in the United States was less than $750,000,000, mostly in paper, when gold was at a premium of ten per cent; and it is now over $1,500,000,000, or more than *twice as much, every dollar being at a parity with gold.*

4. The Free Coinage of Silver not a Cure. — If the free silver theorist is mistaken in his diagnosis, his prescription has no value. But he is more oblivious of facts in his remedy than in explaining the disease. He argues that the free coinage of silver would increase the price of agricultural products, and thus relieve the farmer from the curse of low prices. Let us see if this is so.

The free coinage of silver would either restore the ratio of 16 to 1, or it would not. Let us suppose for a moment, although we have shown this to be impossible, that it would. The silver dollar will then continue to be as good as a gold dollar, *but it will be no better.* What, then, is to increase the price of wheat? If the inflation of the currency raises the price of wheat above the gold price in the world's market, this currency being equal in value to gold, *the importation of wheat at gold prices will afford a profit.* Importation may be depended upon, until the price is depressed to the gold price in the world's market. The American farmer would thereby create a competitor in his own domestic market. Nothing could save him from returning to the gold price in the world's market, *except a protective tariff on breadstuffs*, but this is no part of the free silver programme.

Let us now suppose, which is practically certain, that the free coinage of silver would *not* restore the ratio of 16 to 1. What would follow from this? The money of the United States being thereby *depreciated in value*, it would require *more of it* to represent present value; therefore prices would rise, as they always will when the currency is depreciated. Would that increase the demand for wheat? Not at all. If foreign countries imported American grain, it would be at no higher price than *the gold price in the world's market, — that is, at the present price.* Reduced to a gold basis, the price would be no higher than it is now. Everything would be *valued* on a gold basis, but *paid for* on a silver basis. It should be clearly seen, once far all, that *no commodity can possibly rise above its gold price in the world's market without attracting competition and a consequent fall to this basis, except upon one condition, namely, that its price is maintained by a* PROTECTIVE TARIFF. Upon a gold basis, or upon an international bimetallic basis, a protective tariff can accomplish this result; but it can never be accomplished by inflating the currency. The interest of the American farmer, therefore. lies in building up a diversified industry in the United States, which will secure a better market by withdrawing competition in the field and promoting prosperity in the workshop; and in extending American commerce, loading our own ships with our own grain, and making Chicago, instead of London, the grain mart of the world

X. COMMERCIAL HONOR.

The only foundation of commercial success is commercial honor, which the free coinage of silver would openly violate.

1. The Foundation of Credit. — The commercial system of the world would be impossible, and we should return to the barbaric method of primitive times in matters of exchange, if it were not for the existence of what is known as "credit." When subjected to analysis, this is found to be public faith in a system of legally sustained equity between men and nations. It is the product of a long moral and intellectual evolution, and represents the best development of the human conscience and the human intellect. It assumes the right of personal property, the protection of contracts under the law, and the justice of ultimate legal tribunals. Men believe in it because they believe in them, and a blow at any one of them is an injury to public and private credit to that extent.

Every thoughtful man is able to see, in the Chicago Platform, hostility to all of the three assumptions upon which public and private credit rests. In so far as it proposes the payment of debts contracted upon a gold basis with money conformed to a silver standard, in the face of the present disparity between them, it is an assault, however covert, upon the right of property. In so far as it proposes to pay the bonds of the United States in money inferior to that with which they were bought, it assaults the legal protection of contracts. In so far as it brings under criticism the decisions of the Supreme Court, the highest tribunal in the land, and proposes to modify its judgments, it aims a blow at public confidence in our system of justice. The principles and purposes alleged are, therefore, revolutionary in their nature, and would tend to unsettle the credit of the men, communities, or nation that should deliberately apply them.

2. **Free Coinage as Repudiation.** — In the light of the foregoing pages, there can remain no doubt that the free and unlimited coinage of silver at the ratio of 16 to 1, when a standard silver dollar is worth only about fifty cents as bullion, and when there is not a mint in Europe open to free coinage, would be an act of repudiation. The only meaning of the proposition is that the United States is to *lend unlimited credit to an issue of money without anything in return, and is to pay her debts with such money.* If the ratio were maintained, the depositor of silver at the Mint *would take away double the value he brought, without making any return to the government.* Why should the government throw away its credit in this fashion? and having become careless of it to an "unlimited" extent, how could it preserve its credit? If the ratio were not maintained, the result would be a depreciation of all the national money except gold, which would then be at a premium. In that case the government would either have to bear a new burden to obtain gold for the payment of its gold debt, or partially repudiate that debt by payment in an inferior money. In the present condition of things a dollar of 412.5 grains of silver is, of necessity, a credit dollar. Its unlimited issue would make it a dishonest dollar. Dishonest payment is the ruin of credit, and the ruin of credit is the ruin of prosperity.

XI. FALLACIES OF THE FREE COINAGE THEORY.

The injustice and inexpediency of the free and unlimited coinage of silver are evident from the analysis of the question already given. It remains, however, to point out that the strategic points upon which the advocates of the theory base their reasoning are transparently fallacious.

1. **The Fallacy of Method.** — A subject of such profound practical importance demands the patient and impartial examination of facts. This the advocates of the free coinage of silver carefully avoid. In place of the facts, they set up sectional and class prejudices, proposing to use animosity in the place of conviction. The accepted Bible of the silver movement is *Coin's Financial School*, by W. H. Harvey, which deals mainly in caricature, sophistry, and inflammatory perversions of fact. It is skilfully adapted to appeal to the ignorant and discontented, but never ventures upon solid argument.

In speaking of the monetary unit, Mr. Harvey implies that silver was chosen as the original and exclusive unit of value, *because*, "in the days of Washington and Jefferson, our Revolutionary forefathers *had a hatred of England, and an intimate knowledge of her designs on this country!*" Then follows this flourish of rhetoric: "They had fought eight long years for their independence from British domination in this country; and when they had seen the last redcoat leave our shores, they settled down to establish a permanent government, and among the first things they did was to make 371.25 grains of silver the unit of values. That much silver was to constitute a dollar. And each dollar was a unit. They then provided for all other money to be counted from this unit of a silver dollar!" [1]

Aside from the utterly unhistorical character of these statements, they appeal to no other impulse than that of hatred and vindictiveness. The silver dollar is represented as having a sacredness to Americans like the Stars and Stripes; so that it becomes a patriotic duty to coin it without limit, even at a loss, because our forefathers adopted it as a sign of independence and as an act of rebuke to a foreign power!

But what are the facts? England did not adopt the single gold standard until 1816. The adoption of the silver dollar by Congress in 1792 was not "among the first things" our Revolutionary forefathers did; they did not adopt silver to show "their independence;" they did not discard gold on account of "designs on this country," or from "hatred of England;" and they did not make silver "the unit of values," or decide that 371.25 grains of silver should alone "constitute a dollar."

2. **The Fallacy of the Unit.** — The unit in the system of coinage established by the law of 1792 is not 371.25 grains of silver. The unit is the "dollar;" and the dollar is related to a bimetallic standard of value, gold and silver, at a ratio of 15 of silver to 1 of gold, by weight. The coin first named is the gold "eagle." This was to *contain* "two hundred and forty-seven and four-eighths of a grain of pure, or two hundred and seventy grains of standard, gold." The silver dollar was to *contain* "three hundred and seventy-one grains and four-sixteenths parts of a grain of pure, or four hundred and sixteen grains of standard, silver. . . . The proportional value of gold to silver in all coins which shall by law be current as money within the United States shall be *as fifteen to one*, according to quantity in weight, of pure gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments *with one pound weight of pure gold*." [2]

Is it true, in the light of this law, that the unit of value is 371.25 grains of silver; or that, "in considering which of these two metals they would *thus favor* by making it the *unit*, they were led to adopt silver *because it was the most reliable*"? "The one selected," says Mr. Harvey, "would thereafter be *unchangeable in value*. . . . The metal in it *could not be worth less than a dollar*, for it would be the unit of value itself!" [3] We have, then, the preposterous statement, that 371.25 grains of silver can *never change its value;* because it is the unit!

But a careful reading of the law shows that the *ultimate unit of value* is "*one pound weight of pure gold*." Hamilton himself so understood it: for he said of the Spanish silver dollar, "*That species of coin has never had any settled or standard value, . . . while gold has a fixed price by weight.*" [4] He fixed his ratio by taking 15 pounds of silver to 1 of gold.

[1] *Coin's Financial School*, p. 7.
[2] Act of April, 1792.
[3] *Coin's Financial School*, p. 8.
[4] *Report on the Establishment of a Mint.*

The following table shows the true relations of the whole subject : —

Arithmetical unit	= the dollar.	Physical unit	= a dollar of gold or of silver.
Physical parts of a dollar	= half-dollar. quarter-dollar. dime. half-dime. cent.	Physical multiples of a dollar	= eagle ($10). double eagle ($20). half-eagle ($5). quarter-eagle ($2.50).
Bimetallic standard	= 15 pounds of silver equivalent to 1 pound of gold.	Ultimate Standard of Value	= 1 pound of gold.

Hamilton started with *gold* as the basis of all his calculations. Finding that 24.75 grains of gold had been regarded as equal to a Spanish milled dollar, a coin in current use, not by *choice*, but by circumstances of trade, he fixed the value of the dollar as equivalent to 24.75 grains of gold. Multiplying this by 15, — the ratio decided upon, — he arrived at the result, 371.25 grains of silver, as the proper weight of the silver dollar. Had his mental operation been what the silver theorists represent, he would have taken as his basis of calculation, without any reason, 371.25 grains of pure silver.

3. The Fallacy of the Quantitative Ratio. — The most convincing thing in the free coinage theory at first sight is the brilliant demonstration that all the silver in the world stands to all the gold in the world at a ratio of $15\frac{2}{3}$ to 1.[1] Supposing that Mr. Harvey, or any other living man, knows exactly how much of the two metals there is in the world, — which is highly improbable, — this ratio merely proves that, *if all the people in the world would use gold and silver interchangeably at this ratio, the metals would have this relative value.* As a ground for *universal bimetallism*, — assuming that the facts are as stated, and that more money is universally needed, — this quantitative ratio may be of interest.

4. The Fallacy of the Restored Ratio. — The fact brought to light in the last paragraph, — assuming it to be a fact, — is, however, profoundly significant in relation to the adoption of free coinage by the United States alone. If the normal ratio of value is $15\frac{2}{3}$ to 1, based upon *all the gold and silver in the world*, it is evident that free coinage of silver by the United States *alone*, when all the European mints are *closed* to silver, would attract a disproportionate amount to our mints; so that the quantity of silver would prevent the re-establishment of the ratio. In order to establish and sustain it, we should have to coin *all the surplus stock and annual product of the world!* If Mr. Harvey's figures are right, *universal* free coinage of both gold and silver would be required to keep the market ratio at the quantitative ratio. Does he expect the United States to do this *alone?* His expectation is evident from his alternative : "Gold may go out of circulation," he says, "but its doing so does not disturb the practical effect of bimetallic prices. There should be a law making it a forfeiture of the debt to discriminate in favor of one form of national currency against another. The present law allowing gold to be named in the bond is statutory treason."[2] His remedy for want of parity is, "*Put less gold in the gold dollar.* Bring the weight of the gold dollar down till they *are* on a parity."[3]

5. The Fallacy of Falling Prices. — There is an appearance of serious and honest argument in the tables of comparative prices, by which an attempt is made to show that a given amount of silver will buy the same amount of commodities, roughly speaking, as it would twenty years ago; while a given amount of gold will buy a greater quantity. It looks for a moment as if silver is, after

[1] *Coin's Financial School*, Appendix. [2] *Coin's Financial School*, pp. 137, 138. [3] *Idem*, p. 138.

all, a less variable standard of deferred payments than gold, and as if gold had become too rare to meet the demands of commercial life.

The bearing of this upon the relation of debtor and creditor also is evident. If prices have fallen greatly within the last twenty years, the money that was loaned then seems to be less valuable than the money that must be paid now; for it has apparently acquired an increased purchasing power.

The fact that many commodities have fallen in price cannot be disputed; but it is clear, from the declining rates of interest, that money is, on the whole, less valaubleless valauble than it was twenty years ago. As regards the alleged wrong to the debtor, he could have refunded his debt upon good security at any time within ten years, at a lower rate of interest. How can money be worth more, if it can be borrowed for less?

Under "True Valuation of Real and Personal Property" in the following table, which includes only "actual tangible property," it will be seen that in the decade 1880–1890 values of this class increased in the aggregate more than 49 per cent, with a large increase *per capita*, which indicates how the country was growing rich. Under 'Prices and Wages" it is shown that, as compared with 1860 *the average prices of* 85 *principal articles* had fallen less than 4 per cent, while the *average increase of wages in all occupations* was over 68 per cent.

TRUE VALUATION OF REAL AND PERSONAL PROPERTY.[1]				PRICES AND WAGES.[2]		
YEARS.	TOTAL.	PER CAPITA.	PER CENT OF INCREASE.	YEARS.	PRICES.	WAGES.
1880	$43,642,000,000	$ 870		1860	$100.00	$100.00
1890	65,037,091,000	1,036	49.02	1880	103.04	143.00
				1890	96.20	168.60

We see, therefore, that the fall in prices relates to manufactured articles and to farm products.

The obvious reason for the fall in prices of manufactured articles is the improved processes of production. Better machinery, better methods, close competition, new transportation facilities, have combined to cheapen this class of articles. Therefore, a dollar will buy more of them than it ever would before. And yet, there is no scarcity of money. The whole case is comprised in the statement, that improved means of production have made a dollar go farther than it did twenty years ago, and this cannot be regarded as a public calamity. If the American people prefer a dollar which they can spend more quickly and get less for, the free coinage policy provides for it.

Agricultural prices have fallen, because the methods and extent of production on new lands have so cheapened the smaller yield of old lands that the farmer's life has grown more discouraging and his debts have seemed harder to pay.

All this is true; but does it justify the free and unlimited coinage of silver? Will that constitute a just and expedient relief? This has not been shown by any argument thus far advanced in defence of the free coinage theory. On the other hand, it is evident that a financial panic, the loss of our foreign credit, the instability of values, the open sea of "unlimited" cheap money, would be worse for all classes than the present condition of public and private security. An even and honorable measure of values is the strong foundation of business

[1] *Abstract of the Eleventh Census*, p. 192. [2] Report of the Senate Finance Committee, 1893.

prosperity. It will be wise for the American people to see their course plainly, before they indulge in legislative experiments to give an artificial value to products which the growth of enterprise has cheapened, and to absolve the debtor from his honorable obligations. The only advantages which could possibly follow from a free coinage law are such as belong to a depreciated currency.

XII. CONCLUSION.

It will doubtless be represented in the coming campaign that the proposed free coinage law would give us an "honest dollar." Those who have read this pamphlet will be able to form their own opinion of that: but, certainly, the *intentions* of a political party should be evident from its platform. We have presented elsewhere the financial planks of the two leading parties. Before deciding where to look for an "honest dollar," it may be well to compare those platforms again.

The Republican platform is "unreservedly for sound money," "unalterably opposed to every measure calculated to debase our currency, or impair the credit of our country." It favors international bimetallism, but proposes to keep our silver and paper currency "at parity with gold." It promises to maintain "inviolably the obligations of the United States." Now, what has the Democratic platform to say about "sound money," or the "credit of the country," or "parity" between the different forms of money, or inviolable "obligations?" *Not one word.* On the contrary, it speaks of the "burden of debt public and private," the "enrichment" and "impoverishment" of classes of citizens by each other, and "financial servitude to London." It demands that a debased coinage shall be made legal tender for all debts, public and private, and proposes to force this inferior money upon the people by prohibiting contracts in any other. It is not difficult to determine, from the platforms of these two parties, which is the guardian and which is the enemy of a uniform standard of value, of the credit of the country, and of the obligation of contracts. The one has the clear ring of business honor; the other defines its aims and purposes in terms of personal greed and public irresponsibility. The one stands for law and equity; the other declaims of revolution. The one is the champion of political order; the other is the pupil of social anarchy. The one calls upon the American people to unite in mutual trust and helpfulness to maintain the public credit; the other sets class against class, and sows the seeds of mutual hatred and distrust. Between them every man must choose.